

CHAPTER 6: Federal Family Education Loan Amounts

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Chapter 6

Federal Family Education

Loan Amounts

Section 1: Academic Year

The academic year is used in determining a student's annual Federal Stafford Loan limit. A school must define an academic year for every eligible program, including graduate programs. According to minimum standards established by law, each undergraduate program's academic year definition must include *at least* 30 weeks of instruction and a minimum of 24 semester or trimester hours, 36 quarter hours, or 900 clock hours. Graduate and professional programs must also be *at least* 30 weeks in length and the school must establish academic standards for the amount of work full-time students are expected to complete within an academic year.

For two-year associate's degree or four-year bachelor's degree programs, the U.S. Department of Education (USDE) may approve an academic year that is less than 30 weeks but greater than 26 weeks of instructional time. The school must submit a written request to the USDE that outlines which program will have the reduced year, the number of weeks in the reduced year, and any other information that the USDE requests.

Scheduled Academic Year

Term-based, credit-hour programs may use a scheduled academic year (SAY). The academic year begins on the first day of classes and ends on the last day of classes, examinations, or preparation for final examinations after the last day of class in the payment period. If a program contains less than 30 weeks of instructional time, the school must use a SAY to determine the frequency of annual loan limits. A student may not advance to the next grade level until the required number of clock or credit hours and the required number of weeks have been completed.

Otherwise, the school can choose to use a borrower-based academic year (BBAY), as discussed below.

Borrower-Based Academic Year

For clock hour programs and non-term credit hour programs, a BBAY must be used to track each student's progress from the beginning of their enrollment period until the required number of clock or credit hours and the required number of weeks have been completed. The BBAY is individualized per borrower and generally "floats" with the borrower's attendance and

progress. Each BBAY must begin with a term the student actually attends, though an unattended term may complete the BBAY. The BBAY must also meet the statutory minimum requirements for an academic year.

Schools that have term-based credit-hour programs may use a BBAY for all students, for students enrolled in designated programs, or on a student-by-student basis. BBAYs and SAYs may also be alternated for a student, as long as the academic years do not overlap. The school must have a written policy outlining how these options are applied to determine loan eligibility.

In addition, the BBAY must include the same number of terms contained in the SAY (excluding summer leader or trailer sessions) the school would otherwise use. A student may not advance to the next grade level until the required number of clock or credit hours and the required number of weeks have been completed.

Finally, the BBAY may include terms and/or mini-sessions the student does not attend, as long as the student could have enrolled in those terms or mini-sessions at least half time. However, the BBAY must begin with the term in which the student actually enrolled and any consecutive mini-sessions must be combined into a single term.

Treatment of Summer Terms in Semester-Based Programs

Summer terms may be either leaders or trailers to a SAY. The school may have a policy that strictly defines summer terms as either a leader or a trailer, or the school's policy may determine whether summer is a leader or a trailer on a program-by-program or even case-by-case basis. Summer mini-sessions can either be grouped together as a single leader or trailer or be considered individual sessions and assigned to different SAYs. If the school chooses to group the mini-sessions together, the summer cost of attendance can only include costs for the mini-session(s) in which the student was enrolled.

If the BBAY includes a summer term, the 30-week minimum requirement for an academic year may be waived.

Section 2: Dependency Status

Dependent Student

If the student is considered to be a dependent of his or her parent(s), information on the income (and assets, if applicable) of the parent(s) must be collected on the financial assistance application, and a parental contribution will be added to the student's contribution to determine the expected family contribution.

For Federal Family Education Loan (FFEL) Program loans, a dependent student is subject to different, lower annual and aggregate loan limits than an

independent student. A dependent student's parent is eligible to apply for a Federal PLUS loan to pay any remaining costs of attendance that are not met by other Title IV assistance awarded to the dependent student. A dependent student whose parent is unable (not unwilling) to borrow a Federal PLUS loan due to exceptional circumstances, e.g., an adverse credit history, may be eligible to receive additional unsubsidized Federal Stafford Loan amounts up to the annual and aggregate maximum loan limits for independent students.

Independent Student

An independent student is eligible for the additional, unsubsidized Federal Stafford Loan annual and aggregate maximum limits. The student must meet one of the following criteria in order to be considered independent:

- The student is at least 24 years old by December 31 of the academic year for which the loan is intended
- The student is an orphan
 - ✓ A student is an orphan if both parents are dead and the student does not have an adoptive parent.
 - ✓ A student whose parents have both died and who has a legal guardian is considered to be an orphan.
- The student is a ward of the court
 - ✓ A student is not considered to be a ward of the court based solely on being incarcerated.
- The student is a veteran of the Armed Forces of the United States, was engaged in **active** service, and was released under a condition other than dishonorable
 - ✓ Reservists who served on active duty for non-training purposes **are** considered veterans.
 - ✓ Students who attended a U.S. military academy for at least one day but withdrew in good standing **are** considered veterans
 - ✓ Students who are currently attending a U.S. military academy are **not** considered veterans
 - ✓ Reserve Officers Training Corp (ROTC) students are **not** considered veterans.
 - ✓ Current members of the U.S. military reserves are **not** considered veterans

- ✓ Military reserve training is **not** considered active duty
- The student has legal dependents other than a spouse
 - ✓ Examples: Children for whom the applicant provides more than half of their support or persons other than a child or spouse who live with the applicant and receive more than half of their support from the applicant
- The student is a graduate or professional student
- The student is a married person
 - ✓ Common-law marriage qualifies only if the student's relationship meets criteria for common-law marriage in the student's state of residence.
- The school makes a documented professional judgement determination of independence by reason of other unusual, case-by-case circumstances

Helpful Hints:

- A student's living situation, i.e., whether the student lives with his or her parents, does not affect the student's dependency status.
- See the federal *Application and Verification Guide*, Chapter 2, for more detailed information on a student's dependency status.

Section 3: Annual Loan Limits

Federal Stafford Loan Annual Limits

A borrower may not receive more than the grade level maximum loan limit each academic year, as illustrated in the chart below. The student's grade level is determined by the school's definition of the standard time required to complete a program. The annual loan limit must be proportionately reduced, i.e., prorated, for both of the following:

- A program that is less than an academic year in length
- A final period of study in a program that is longer than an academic year in length when the final period leading to program completion is less than an academic year.

See Section 7 of this chapter for more information on proration.

Base annual Federal Stafford Loan limits are available to a dependent undergraduate student, e.g., the base annual loan limit is \$2,625 for a first-

year dependent undergraduate student borrower. Additional unsubsidized Federal Stafford Loan limits are available for an independent student, as well as a dependent student whose parent is unable (not unwilling) to borrow a Federal PLUS loan to pay the dependent student's educational costs at a school that participates in the Federal PLUS program.

	Base Stafford (Subsidized and Unsubsidized) for Dependent Students	Additional Unsubsidized for Independent Students, and students whose parent is unable to borrow PLUS funds
First-year Undergraduate	\$2,625	\$4,000
Second-year Undergraduate	\$3,500	\$4,000
Third, fourth, and fifth-year Undergraduates	\$5,500	\$5,000
	Subsidized Stafford	Unsubsidized Stafford
Graduate/Professional Student	\$8,500	\$10,000

Increased unsubsidized loan limits are available to certain health profession students who are unable to borrow under the Health Education Assistance Loan (HEAL) Program due to the phase out of the HEAL program. (See Section 5 of this chapter for more information.)

Helpful Hints:

- A school that certifies an additional unsubsidized Federal Stafford Loan to a dependent student whose parent is denied a Federal PLUS loan must obtain documentation of the denial, e.g., a copy of the lender's denial letter provided by the PLUS applicant.
- If a dependent student is enrolled in a program that is completed in two academic years or less under normal circumstances, that student cannot receive a Federal Stafford Loan that exceeds \$3,500 per academic year. This applies even if the student cannot complete the program in the normal amount of time.
- If an associate or bachelor's degree is a prerequisite for a student's program of study, the school may consider the number of years the student has completed in the required degree program when determining the student's grade level.

- If a student has obtained an undergraduate degree in one program but is considered by the school to be a first-year undergraduate student in another degree program, the maximum annual loan limit is \$2,625.
- There is no limit on the number of times a student is eligible for the maximum annual loan limit at a particular grade level.

Preparatory Coursework

A student that is enrolled in prerequisite courses for an undergraduate degree program is eligible for the first-year undergraduate loan limit. The student must be enrolled at least half time in courses that are part of an eligible program. The student may be classified as non-degree seeking and is eligible for one consecutive 12-month period.

A student that is enrolled in prerequisite courses for a graduate or professional program is also eligible for the fifth-year undergraduate loan limit. The student must be enrolled at least half time and may be enrolled as a non-degree-seeking student. The student is eligible for one consecutive 12-month period.

The school must document, for each student specifically, that the preparatory coursework is required for admission into the program. If the student is taking preparatory coursework for a program that will be completed at another school, the current school should obtain documentation from the degree-granting school that the coursework is required for admission into the program and that the student has contacted the school for possible admission into the program. A school should exercise care to ensure that the maximum annual loan limits are not exceeded for a student that completes a program and moves into preparatory coursework within the same academic year.

Remedial Coursework

If a student is enrolled in only a remedial coursework program, the student is not eligible for student financial assistance (SFA). However, if a student has been admitted to a program and is taking remedial coursework in addition to other courses within that program he or she may be eligible for loan funds as described above under Preparatory Coursework.

If a student moves from a degree program to preparatory coursework within the same scheduled or borrower-based academic year, the student is only eligible for the difference between the amount borrowed and the maximum annual loan limit for that period. Once the student enters the next academic year, the student will become eligible for a new annual loan limit. Please refer to the prior section in this chapter for more information about scheduled and borrower-based academic years.

Teacher Certification

An independent student enrolled in a teacher certification program is considered a fifth-year student and is eligible for a maximum of \$5,500 in base Federal Stafford funds and an additional \$5,000 in Unsubsidized Federal Stafford funds, assuming all of the other eligibility criteria are met.

Federal PLUS Loans

There is **no** annual or aggregate loan limit for a Federal PLUS loan. However, a Federal PLUS loan may never exceed the student's estimated cost of attendance minus other financial assistance awarded during the period of enrollment for which the loan is intended. See Section 10 of this chapter for more information about calculating Federal PLUS loan eligibility.

Section 4: Aggregate Loan Limits

Aggregate Federal Stafford Loan Limits

Following are the aggregate maximums for subsidized and unsubsidized Federal Stafford Loans:

- Dependent Undergraduate Student – \$23,000 total subsidized and/or unsubsidized
- Independent Undergraduate Student (or undergraduate student whose parent is unable to borrow PLUS funds) – \$46,000 total; subsidized maximum \$23,000
- Graduate/Professional Student – \$138,500 total; subsidized maximum \$65,500
- PLUS – no limit

It is the school's responsibility to track the proportion of subsidized loans contained in the aggregate loan amount.

When calculating a borrower's aggregate maximum loan limit, **do** include:

- Federal Direct Stafford Loans
- Federal Supplemental Loans for Students (SLS), which are considered unsubsidized loans
- Applicable undergraduate federal and direct loans, when calculating a graduate or professional student's aggregate loan limit

When calculating a borrower's aggregate maximum loan limit, *do not* include:

- PLUS loans
- Interest that has been capitalized on Federal Stafford Loans

A student who has reached the aggregate maximum loan limit cannot borrow more Federal Stafford Loans until the principal balance of any outstanding loans is reduced by payment in full, partial payment, or other means, including refunds and discharges.

A school must consider the effect a Consolidation Loan will have on the borrower's eligibility for a new Federal Stafford Loan, if the student is applying for a subsidized Federal Stafford Loan. If a student is applying for an unsubsidized loan, the financial aid administrator may assume that the previously borrowed Consolidation Loan includes only unsubsidized Stafford Loans. Based on these assumptions, if the student borrower exceeds the aggregate loan limits, the underlying loan documentation should be secured from available sources, such as the National Student Loan Data System (NSLDS) or the student, and should be retained by the school making the eligibility determination.

Federal PLUS Loans

There is *no* aggregate loan limit for Federal PLUS loans. Additionally, Federal PLUS loans are not included when calculating a borrower's aggregate maximum loan limit.

Helpful Hint:

- NSLDS is the best source of information on the student's current outstanding principal balance. The outstanding principal balance reflects the original amount of loan principal (including loan fees), minus any capitalized interest that was added later, and any payments that have been credited against the principal. Also see Chapter 7 of this guide entitled "Financial Aid History."

Loan Limit Examples

Example A: A grade level three *undergraduate*, independent borrower who has received \$23,000 in subsidized Federal Stafford Loans and \$0 in unsubsidized Federal Stafford Loans is eligible for an annual limit of up to \$10,500 in unsubsidized Federal Stafford Loans and an aggregate limit of up to \$23,000 in unsubsidized Federal Stafford Loan funds. (\$23,000 subsidized Stafford limit - \$23,000 used = 0 remaining eligibility for subsidized Stafford Loans. \$23,000 unsubsidized Stafford limit - \$0 used = \$23,000 remaining eligibility for unsubsidized Stafford Loans.)

Example B: A *graduate* borrower is eligible for up to \$8,500 in subsidized Federal Stafford Loans and \$10,000 in unsubsidized Federal Stafford Loans annually, and up to \$138,500 in combined subsidized and unsubsidized Federal Stafford Loans at the aggregate. For a graduate borrower who has previously received \$35,000 in subsidized Federal Stafford Loans and \$30,000 in unsubsidized Federal Stafford Loans, the remaining eligibility is \$30,500 in subsidized Federal Stafford Loans and a total remaining aggregate eligibility of \$73,500. ($\$65,500$ subsidized limit - $\$35,000$ used = $\$30,500$ remaining subsidized aggregate eligibility. $\$138,500$ - $\$35,000$ subsidized eligibility used - $\$30,000$ unsubsidized eligibility used = $\$73,500$ remaining aggregate subsidized and unsubsidized eligibility.)

Example C: A *former graduate student* enrolls in a *second undergraduate program*. The borrower received \$20,500 in subsidized Federal Stafford Loans and \$10,000 in unsubsidized Federal Stafford Loans as an independent student for his first undergraduate program. For enrollment in a subsequent graduate program, the student received \$45,000 in subsidized Federal Stafford Loans and \$40,000 in unsubsidized Federal Stafford Loans. Now the student is enrolled in a second undergraduate program. Only the loans that the student received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit ($\$20,500 + \$10,000 = \$30,500$). The student has a remaining loan eligibility of \$15,500 for the second undergraduate program ($\$46,000 - \$30,500 = \$15,500$).

However, the loans received for the graduate program must be considered in determining whether the student has exceeded total aggregate loan limits. In this case, the student has already received the maximum allowable aggregate limit in Federal Stafford Loans for undergraduate and graduate study combined ($\$20,500$ for the first undergraduate program + $\$45,000$ for the graduate program = $\$65,500$ maximum subsidized aggregate eligibility). This student's remaining eligibility of \$15,500 is confined to unsubsidized Federal Stafford Loans.

Section 5: Increased Eligibility for Health Professions Students

Due to the elimination of the Health Education Assistance Loan (HEAL) program, certain health professions students may borrow additional unsubsidized Federal Stafford Loans in excess of annual and aggregate limits to take the place of HEAL loans that are no longer unavailable to them. Increased eligibility for unsubsidized Federal Stafford Loans is extended to students enrolled *full time* in eligible health professions programs that are accredited by an approved accrediting agency, regardless of whether the school previously participated in the HEAL Program.

The increased limits are subject to regular unsubsidized Federal Stafford Loan eligibility criteria up to the HEAL limits. The increased unsubsidized loan amount that an eligible health professions student may receive is *in addition*

to any unsubsidized Federal Stafford Loan eligibility the student would have under the Federal Family Education Loan (FFEL) and Direct Loan Programs.

Annual Increased Loan Limit Example

A student is enrolled in a 9-month Doctor of Dentistry program, and is eligible for the regular Stafford subsidized/unsubsidized annual loan maximum for a graduate/professional student: \$18,500, of which not more than \$8,500 may be subsidized. The increased unsubsidized amount of \$20,000 available to eligible health professions students enrolled in this type of program is *added* to the regular FFEL Program loan limit, for a total annual loan limit of \$38,500 ($\$18,500 + \$20,000 = \$38,500$).

Annual Increased Loan Limits for Eligible Programs

The following programs are eligible for an additional \$20,000 in unsubsidized loans for a 9-month academic year, or an additional \$26,667 in unsubsidized loans for a 12-month academic year:

- Doctor of Allopathic Medicine
- Doctor of Osteopathic Medicine
- Doctor of Dentistry
- Doctor of Veterinary Medicine
- Doctor of Optometry
- Doctor of Podiatric Medicine

The following programs are eligible for an additional \$12,500 in unsubsidized loans for a 9-month academic year, or an additional \$16,667 in unsubsidized loans for a 12-month academic year:

- Graduate in Public Health
- Doctor of Chiropractic Medicine
- Masters or Doctoral Degree in Health Administration
- Doctoral Degree in Clinical Psychology
- Bachelor or Master of Science in Pharmacology, or “an equivalent degree” (See Helpful Hints below.)

Helpful Hints About Pharmacology Programs:

- The 5-year Bachelor of Science in Pharmacology program is the only *undergraduate* program that is eligible for increased unsubsidized loan

amounts, and only for the fourth and fifth years of the program. A **dependent** undergraduate student enrolled in the fourth or fifth year of such a program is eligible for the increased unsubsidized loan amount only if the student's parent is unable to borrow a PLUS loan.

- In the case of a pharmacology student, the doctor of pharmacy degree is considered "an equivalent degree" if it is taken at a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.

Helpful Hints:

- The additional unsubsidized Federal Stafford Loan limits and approved accrediting agencies for each eligible program are listed in the Department of Health and Human Services (DHHS) *Student Financial Aid Guidelines* for the HEAL Program. The *Guidelines* may be accessed on the DHHS web site at bhpr.hrsa.gov/dsa/sfag/health_professions/bk1prt4.htm. Schools may also consult the federal *Student Financial Aid Handbook*, Direct Loan and FFEL Programs Reference.
- For more information, see Dear Colleague Letters GEN-98-18, GEN-98-23, and GEN-99-21.
- The current FFEL Program Master Promissory Note (MPN) may be used to apply for the increased amounts.

Aggregate Increased Loan Limits

The combined subsidized and unsubsidized aggregate loan limit for eligible **graduate and professional** health profession students is \$189,125. Not more than \$65,500 of this amount may be in subsidized loans.

The combined subsidized and unsubsidized aggregate loan limit for eligible **undergraduate** students enrolled in five-year Bachelor of Science in Pharmacology Programs is \$70,625. Not more than \$23,000 of this amount may be in subsidized loans.

Section 6: Professional Judgment

A financial aid administrator (FAA) may, but is not required to, use professional judgment on a case-by-case basis to accommodate an individual student's unusual circumstances. Documentation that supports the reasons for exercising professional judgement must differentiate the student's circumstances from the student population as a whole, and the FAA must maintain this documentation in the student's file. Before making any adjustments, any inconsistent or conflicting information shown on the output document (i.e., the Student Aid Report or Institutional Student Information

Record) must be resolved. A school's professional judgement decision is final and cannot be appealed to the U.S. Department of Education.

Professional judgment can be used to increase or decrease one or more of the data elements used to calculate the estimated family contribution (EFC). Examples of possible cases when professional judgment might be warranted include:

- Unusual medical or dental expenses not covered by insurance
- Elementary or secondary school tuition
- Unusually high child care costs
- A family member's recent unemployment
- Divorce or separation in the family
- Death in the family

Professional judgement may also be used to do the following:

- Change a student's status from dependent to independent (dependency override)
- Waive satisfactory academic progress requirements or establish a new progress expectation for a student
- Adjust the student's cost of attendance
- Deny or reduce loan eligibility (Written reasons must be provided to the student.)

See the subsequent subheadings for additional information about overriding dependency status and denial or reduction of loan eligibility.

Professional judgement must **not** be used to:

- Directly adjust the EFC figure, the formula, or tables used in the EFC calculation
- Adjust data elements or the cost of attendance only because the school believes the tables or formula are generally not adequate or appropriate
- Reduce EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses like utilities, credit cards, and childrens' allowances

- Change Federal Supplemental Educational Opportunity Grant (FSEOG) selection criteria
- Include post-enrollment activity expenses in the cost of attendance (e.g., professional licensing exam fees)
- Apply an adjustment to conditions that exist for a general category of students
- Waive general student eligibility requirements
- Circumvent law or regulations

Helpful Hints:

- A school must not automatically accept a professional judgement determination made at a prior school. The new school's financial aid administrator may arrive at the same conclusion based on an independent examination of the student's circumstances, but must document his or her own decision.
- If professional judgment is used to adjust a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) line item, the resulting EFC must be used consistently for ***all*** federal student assistance awarded to the student. For example, if the FAA adjusts the EFC for purposes of awarding the Federal Pell Grant, the same EFC must be used to award campus-based assistance and a Federal Family Education Loan (FFEL).
- See the federal *Application and Verification Guide*, Chapter 4, for more information about making corrections and adjustments to application data.

Dependency Overrides

A special type of professional judgment is the dependency override. All dependency overrides must also be done on a case-by-case basis and the FAA must fully document the reason for the override. Examples of acceptable documentation for a dependency override may include a letter from a counselor, minister, or principal who is familiar with the student's situation, or a letter from a relative other than the student's parents. In addition to letters, the school may request proof that the student is paying his or her own expenses and the source of funds used to pay expenses. The school may also request tax forms from both the student and the student's parents. All of this documentation should be maintained in the student's file and the status should be reviewed on an annual basis in order to ensure that the independent status continues to be justified. The school is responsible for correctly documenting and determining a dependency override.

Dependency overrides can only be performed to change a student from dependent to independent. It is not acceptable to change a student from independent to dependent; however, it is possible to make changes to specific data elements. If an independent student is receiving significant support from parents or another outside source, the amount may be included as untaxed income on the student's Free Application for Federal Student Aid (FAFSA).

Refusal to Certify

Another form of professional judgment involves the certification of the loan. An FAA may refuse to certify an otherwise eligible FFEL borrower's loan if the reason for the refusal is documented and provided to the student in writing. Similarly, an administrator may certify a loan for a smaller amount than the student requests if the reason for the reduction is documented and provided to the student in writing.

Reasons for refusing to certify a loan or reducing a borrower's eligibility for a loan may include:

- The FAA determines that the student's expenses to be covered by the loan can be met more appropriately by the school, directly by the student, or from other sources
- The borrower indicates an unwillingness to repay the loan

The school may **not** refuse to certify a loan because the student has filed a bankruptcy petition. In addition, a school may not refuse to certify a loan based on policies that result in a pattern or practice of denying access to FFEL Loans or that discriminate against any borrower or group of borrowers.

Section 7: Proration

Generally, a dependent or independent undergraduate may borrow up to the annual Federal Stafford Loan limit applicable to the student's year in school. However, the maximum subsidized and unsubsidized Federal Stafford Loan amount an undergraduate student may borrow must be reduced, or prorated, in the following situations:

- When an undergraduate student is enrolled in a program that is less than an academic year in length
- When an undergraduate student is enrolled in the final period of study in a program that is equal to or greater than an academic year in length, but the remaining portion resulting in program completion is less than an academic year

The minimum statutory requirements for an academic year are 30 weeks of instructional time AND either 24 semester or trimester hours OR 36 quarter

hours OR 900 clock hours. A school that defines its academic year according to a higher standard should use that higher standard when prorating loans.

The ***final period of study*** is the period of time at the end of which the student will complete the program. The final period of study is shorter than the academic year in the following circumstances:

- For a ***term-based credit hour program***, the final period of study consists of fewer terms than the academic year. Final periods of study for term-based credit hour programs are shorter than an academic year even if terms in the final program of study are separated by a period of non-enrollment within the same academic year.
- For a ***term-based clock hour program***, the final period of study consists of fewer terms, ***or*** fewer clock hours, than the academic year
- For ***both non-term credit hour or clock hour programs***, the final period of study consists of fewer credit or clock hours than the academic year.

Proration applies only to undergraduate borrowers of Federal Stafford Loans. Federal PLUS loans and loans for graduate or professional students are not subject to proration.

Proportional proration is calculated by determining the ratio of the student's program or remainder of the student's program (as measured in clock or credit hours) to a full academic year and multiplying that ratio by the applicable annual loan limit for a full academic year.

Proportional Proration Calculation

- For a program of study that has fewer weeks or hours of instructional time than an academic year, the proration fraction is the ***lesser*** of:

Number of semester, trimester, quarter, or clock hours enrolled

÷

Number of semester, trimester, quarter, or clock hours in academic year

OR

Number of weeks enrolled

÷

Number of weeks in academic year

- For a program of study at least one academic year in length but with less than a full academic year remaining (before program completion), the proration fraction is:

Number of semester, trimester, quarter, or clock hours enrolled

÷

Number of semester, trimester, quarter, or clock hours in academic year

The proration fraction, or its decimal equivalent, is then multiplied by the annual Federal Stafford Loan limit applicable to the student's grade level. See examples that follow.

Loan Proration Examples

Example 1: A first-year student has enrolled in a program of study that is 10 weeks and 300 clock hours long and wishes to borrow a Federal Stafford Loan. The academic year for this student's program is defined as 30 weeks and 900 clock hours. What is the maximum loan eligibility?

- Compare fractions based on weeks and hours: $10/30 = .33$; $300/900 = .33$
- Multiply the smaller fraction by the loan limit: $\$2,625 \times .33 = \866 maximum eligibility

Example 2: An independent undergraduate student is enrolled in a two-year program and has completed two years of study but will need to enroll in six credit hours in his final semester to complete the program. The academic year for this student's program is defined as 30 weeks and 24 credit hours. What is his maximum loan eligibility?

- Divide the hours in the remaining semester by the hours in an academic year $6/24 = .25$
- Multiply the fraction by the annual limit: $.25 \times \$3,500 = \875 base Stafford; $.25 \times \$4,000 = \$1,000$ additional unsubsidized Stafford

Helpful Hints:

- Schools may, but are not required to, convert the proration fraction to a decimal and then multiply by the applicable maximum annual loan limit. Generally, the decimal method will result in an amount that is equal to or slightly higher than the amount derived from the use of the fraction.
- If the school uses decimals to calculate proportional proration, U.S. Department of Education (USDE) examples carry the decimal out to three

places and round up or down, as applicable. For example: $.666 = .67$; $.333 = .33$.

- USDE proration examples sanction the practice of rounding dollar amounts to the nearest whole dollar, and upward to the nearest whole dollar when the result is \$.50. For example, \$3,437.50 may be rounded up to \$3,438.00.
- Schools are *not* required to adjust the prorated loan amount after it has been certified if the student adds or drops a course. However, the student must be enrolled at least half time.

Section 8: Cost of Attendance

The cost of attendance (COA) is an estimate of a student's educational expenses for the period of enrollment for which a loan is made. Each school formulates an estimated total educational cost for each academic year, or as applicable, each program. A student's COA must correspond to the loan period and the student's enrollment status.

A school may use a standard COA for all students or groups of students or may individualize the COA for each borrower (and document each borrower's file).

If a school bills a student for all institutional charges at the beginning of the program, the entire amount must be included in the COA for the first loan made for the first academic year. The school must not include any institutional charges in the COA for any subsequent academic year.

A student's COA is generally the sum of the following:

- The tuition and fees for a student carrying the same academic workload, including costs of rental or purchase of equipment, materials, or supplies required of all students in the same course of study
- An allowance for books and supplies
- An allowance for the estimated or actual, documented cost of renting or purchasing a personal computer or computer upgrade, including hardware or software.
 - ✓ The allowance may be added categorically (e.g., by program or grade level) or individually
 - ✓ The school must uniformly apply the allowance to any categories the school establishes. Any variations for an individual student's circumstances must be documented and treated as a professional judgement determination.

- An allowance for transportation
- An allowance for personal miscellaneous expenses
- An allowance for room and board
 - ✓ For a student without dependents who lives at home with parents, the school determines the allowance.
 - ✓ For a student without dependents who lives in school-owned or operated housing, the school determines a standard allowance based on the amount normally assessed most residents for such housing
 - ✓ For all other students, the school includes an allowance based on reasonably incurred expenses
- For students who receive Federal Family Education Loans, the fees required to receive them.
 - ✓ Schools may use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at that school.
 - ✓ Schools may use the actual or average for a particular student, and may switch between standards if doing so benefits the student.
 - ✓ If a student declines a loan or requests a reduced loan amount, the school need not remove or reduce the loan fee component in the cost of attendance, unless the continued inclusion of the fees constitutes an overaward.

In addition to the direct educational expenses mentioned above, schools may also include the following:

- Reasonable costs associated with a study-abroad program, provided that program is approved for credit by the home school
- For a disabled student, an allowance for expenses (including special services, personal assistance, transportation, equipment, and supplies) reasonably incurred, related to the student's disability, and not provided for by other groups
- For students placed in a work experience through a cooperative education program, an allowance for reasonable costs associated with that employment

The enrollment status of the student determines the COA. For students enrolled half time, the COA figure must be adjusted to reflect this status; the amounts used for tuition/fees and books/supplies are generally half the

amounts used for full-time students enrolled in the same program of study. Other components of the COA are generally not affected by the student's enrollment status. For example, a student's room and board would remain the same if he or she were enrolled full time or half time.

Section 9: Expected Family Contribution

The Central Processing System (CPS) of the U.S. Department of Education (USDE) analyzes financial information provided by the student and, as applicable, the student's parent(s) or spouse, on the Free Application for Federal Student Aid (FAFSA). The CPS then calculates an expected family contribution (EFC) to determine how much a student can be expected to pay toward the student's education based on federally prescribed need analysis formulas. The EFC formulas take into account the family's expenses relative to the number of persons in the household and how many of them, excluding parents, will be attending college during the award year.

The EFC must be used to determine eligibility for the following types of need-based Title IV assistance:

- Federal Pell Grant
- Campus-Based Programs – Federal Supplementary Educational Opportunity Grant, Federal Perkins Loans, and Federal Work-Study Programs
- Subsidized Federal Stafford and Direct Stafford Loans.

If the EFC is less than the COA, the student is considered to have financial need. The higher the EFC, the less the student's need. The maximum amount for which a school may certify a subsidized Federal Stafford Loan is the amount that remains after the EFC and other estimated financial assistance (EFA) are subtracted from the cost of attendance (COA). The EFC is not a factor in determining eligibility for an unsubsidized Federal Stafford or Federal PLUS loan. See the following section in this chapter for more information concerning EFA and examples of loan calculations.

Income reported on the FAFSA is the "base year" income, defined as the income received during the calendar year proceeding the award year for which assistance is requested. For example, calendar year 2000 tax forms would be used for providing financial data on the 2001-02 FAFSA that is used to calculate the EFC for the 2001-02 award year. Base year income is more reliable because it can be verified by comparing it with the U.S. income tax return or payroll receipts. However, if the family has been adversely affected by a special circumstance, the financial aid administrator (FAA) may use professional judgment to substitute expected income or otherwise adjust income or other data in the EFC formula.

The EFC for a 9-month enrollment period is found in the upper right-hand corner of the first page of the output document. The second section of the FAA Information area on the output document contains headings for the number of months, Primary EFC, and Secondary EFC, as well as a table of one to 12-month alternate EFCs. The figures in the table represent alternate EFCs that the financial aid administrator **must** use to award assistance if the student is attending for less than nine months and **may** use for more than nine months.

Every year, the USDE publishes updated tables used in calculating the EFC. These tables and optional EFC calculation worksheets are published in the federal *Student Financial Aid Handbook*. Schools may also use proprietary software to estimate a student's EFC. However, while schools are permitted to use an estimated EFC for packaging and certification, a school must have an output document [a Student Aid Report (SAR) or Institutional Student Information Record (ISIR)] with an **official** EFC calculated by the CPS before making a disbursement of an FFEL Program loan. In the case of a **late** disbursement of an FFEL Program loan, the school must have received a SAR or ISIR with an official EFC before the date the student withdrew or dropped to below half-time enrollment.

Schools should refer to the federal *Student Financial Aid Handbook*, Student Eligibility section, Chapters 6, and the federal *Application and Verification Guide*, Chapter 4, for detailed information on the calculation of the EFC, professional judgement adjustments to the data used to calculate the EFC, and corrections or updates to the data the student provided on the FAFSA.

Section 10: Estimated Financial Assistance

Estimated financial assistance (EFA) must be taken into account when awarding FFEL Program funds. The maximum amount for which a school may certify a subsidized Federal Stafford Loan is the amount that remains after subtracting both the student's expected family contribution (EFC) and other estimated financial assistance (EFA) from the cost of attendance (COA). The maximum amount for which a school may certify an unsubsidized Federal Stafford Loan, or a Federal PLUS loan, is the amount that remains after subtracting the EFA from the COA.

EFA includes assistance the student or a parent on behalf of a student will receive for the enrollment period from federal, state, institutional, or other sources, including the following:

- Title IV grants, loans, and campus-based assistance

- Other education loans (e.g., state-sponsored loans, alternative, and private education loans)
- State-sponsored grants
- Scholarships
- Fellowships
- Assistantships
- Net earnings from *need-based* employment
- Tuition and fees that are charged but waived
- Room and board that is part of an on-campus job awarded to the student on the basis of need
- Veterans benefits with the exception of Chapter 30 Montgomery GI Bill (active duty) benefits for subsidized Federal Stafford Loans only. See below.

EFA does *not* include:

- Amounts used to replace the expected family contribution, including unsubsidized Federal Stafford Loan amounts, PLUS loan amounts, private, alternative, or state-sponsored loan funds.
- Federal Perkins Loans and Federal Work-Study (FWS) funds the school determines the student has declined for any reason
- For a *subsidized* Federal Stafford Loan only
 - ✓ AmeriCorps post-service benefits paid under Title I of the National Community service Act of 1990
 - ✓ Chapter 30 Montgomery GI Bill (active duty) benefits

Section 11: Determining Loan Amounts

Schools are required to consider a student's eligibility for certain Title IV programs in a particular order, so as to minimize the student's indebtedness:

- An undergraduate student's Federal Pell Grant eligibility must be determined before certifying a subsidized or unsubsidized Federal Stafford Loan.

- ✓ If the student is eligible for a Pell Grant, the school must not certify a loan until the student has applied for the Pell Grant for the same enrollment period covered by the loan.
- A student's eligibility for a subsidized Federal Stafford Loan must be determined before certifying an unsubsidized Federal Stafford Loan.
- ✓ If the amount of the subsidized Federal Stafford Loan is \$200 or less, the school may include that amount as part of an unsubsidized Federal Stafford Loan.
- A school is not required to determine eligibility for either a Federal Stafford Loan or Federal Pell Grant before certifying a Federal PLUS loan. (However, any assistance the school expects the student to receive must be considered as estimated financial assistance when calculating the Federal PLUS loan amount.)

Federal Stafford Loans

The maximum Federal Stafford Loan amount a borrower is eligible to receive for each academic year is the *lesser* of:

- The amount certified by the school
 - ✓ $\text{Cost of attendance (COA)} - \text{expected family contribution (EFC)} - \text{estimated financial assistance (EFA)} = \text{maximum eligibility for a } \textbf{subsidized} \text{ Federal Stafford Loan}$
 - ✓ $\text{COA} - \text{EFA} = \text{maximum eligibility for an } \textbf{unsubsidized} \text{ Federal Stafford Loan}$
- The applicable annual loan limit for the loan type, program length, and grade level (See Section 3 of this chapter for more information.)
- The remaining eligibility under the applicable aggregate loan limit (See Section 4 of this chapter for more information.)
- The loan amount requested by the borrower
 - ✓ While the Federal Stafford Loan Master Promissory Note no longer asks the borrower for a requested amount, a student may advise the school of his or her request in other ways, for example, on the school's internal assistance application (if applicable) or award notification.

Federal PLUS Loans

The maximum Federal PLUS loan amount a borrower is eligible to receive for each academic year is the *lesser* of:

- The amount certified by the school
 - ✓ $\text{COA} - \text{EFA} = \text{maximum Federal PLUS loan eligibility}$
- The loan amount requested by the borrower
 - ✓ The borrower may stipulate a requested amount in item #10 on the Application and Promissory Note for Federal PLUS loans

There is no annual or aggregate Federal PLUS loan limit.

Example Loan Calculations

A. Subsidized Federal Stafford Loans for Dependent Students

Use lesser of unmet need, maximum loan amount, and requested amount.

Formulas

$$\text{UNMET NEED} = \text{COA} - \text{EFC} - \text{EFA}$$

Example A: Student at grade level 1 requests \$3,000.

COA = \$10,000

EFC = \$ 2,000

EFA = \$ 3,000

Unmet need: $10,000 - 2,000 - 3,000 = \$5,000$

Maximum loan amount: **\$2,625**

Requested amount: **\$3,000**

Answer: **\$ 2,625**

Problem A1: Student at grade level 3 requests \$2,000.

COA = \$9,000

EFC = \$1,200

EFA = \$1,000

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

Problem A2: Student at grade level 2 requests \$5,000.

COA = \$6,000

EFC = \$1,000

EFA = \$2,500

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

B. Subsidized and Unsubsidized Federal Stafford Loans for Dependent Students

Calculate subsidized eligibility first. To calculate unsubsidized eligibility, use the lesser of cost less assistance, the loan limit for unsubsidized Federal Stafford Loans, and the requested amount.

Formulas

COST LESS ASSISTANCE = COA – EFA - SUBSIDIZED FEDERAL STAFFORD LOAN

LOAN LIMIT FOR UNSUBSIDIZED FEDERAL STAFFORD LOANS = BASE STAFFORD LIMIT – SUBSIDIZED FEDERAL STAFFORD LOAN

REQUESTED AMOUNT = TOTAL AMOUNT REQUESTED – SUBSIDIZED FEDERAL STAFFORD LOAN

Example B: Student at grade level 3 requests \$10,000.

COA = \$8,000

EFC = \$1,000

EFA = \$2,000

Calculate subsidized Federal Stafford Loan first.

Unmet need: $\$8,000 - \$1,000 - \$2,000 = \$5,000$

Maximum loan amount: **\$5,500**

Requested amount: **\$10,000**

Answer: **\$ 5,000**

Calculate unsubsidized Federal Stafford Loan next.

Cost less assistance: $\$8,000 - \$2,000 - \$5,000 = \$1,000$

Loan limit for unsubsidized Federal Stafford Loan: $\$5,500 - \$5,000 = \$500$

Requested amount: $\$10,000 - \$5,000 = \$5,000$

Answer: **\$ 500**

Problem B1: Student at grade level 2 requests \$5,000.

COA = \$8,000

EFC = \$1,000

EFA = \$2,000

Calculate sub Federal Stafford Loan first.

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

Calculate unsub Federal Stafford Loan next.

Cost less assistance: _____

Loan limit for unsub Federal SL: _____

Requested amount: _____

Answer: \$ _____

Problem B2: Student at grade level 3 requests \$4,000.

COA = \$6,000

EFC = \$1,000

EFA = \$1,500

Calculate sub Federal Stafford Loan first.

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

Calculate unsub Federal Stafford Loan next.

Cost less assistance: _____

Loan limit for unsub Federal SL: _____

Requested amo unt: _____

Answer: \$ _____

C. Unsubsidized Federal Stafford Loans for Independent Students

Use the lesser of cost less assistance, the loan limit for unsubsidized Federal Stafford Loans, and the requested amount.

Formulas

COST LESS ASSISTANCE = COA – EFA - SUBSIDIZED FEDERAL STAFFORD LOAN AMOUNT

**LIMIT FOR UNSUBSIDIZED FEDERAL STAFFORD LOAN = BASE STAFFORD–
SUBSIDIZED FEDERAL STAFFORD LOAN + ADDITIONAL UNSUBSIDIZED
FEDERAL STAFFORD LOAN LIMIT**

Example C: Student at grade level 1 requests \$5,000.

COA = \$ 9,000

EFC = \$ 1,000

EFA = \$ 1,000

Calculate subsidized Federal Stafford Loan amount first.

Unmet need: $\$9,000 - 1,000 - 1,000 = \$7,000$

Maximum loan amount: **\$2,625**

Requested amount: **\$5,000**

Answer: \$ **\$2,625**

Calculate unsubsidized Federal Stafford Loan amount next.

Cost less assistance: $\$9,000 - 1,000 - 2,625 = \$5,375$

Loan limit for unsub Federal Stafford Loan: $\$2,625 - 2,625 + 4,000 = \$4,000$

Requested amount: $\$5,000 - 2,625 = \$2,375$

Answer: \$ **2,375**

Problem C1: Student at grade level 3 requests \$15,000.

COA = \$10,000

EFC = \$ 1,000

EFA = \$ 2,000

Calculate sub Federal Stafford Loan first.

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

Calculate unsub Federal Stafford Loan next.

Cost less assistance: _____

Loan limit for unsub Federal SL: _____

Requested amount: _____

Answer: \$ _____

Problem C2: Student at grade level 2 requests \$10,000.

COA = \$12,000

EFC = \$ 1,500

EFA = \$ 2,000

Calculate sub Federal Stafford Loan first.

Unmet need: _____

Maximum loan amount: _____

Requested amount: _____

Answer: \$ _____

Calculate unsub Federal Stafford Loan next.

Cost less assistance: _____

Loan limit for unsub Federal SL: _____

Requested amount: _____

Answer: \$ _____

D. Federal PLUS loans

Use the lesser of cost less assistance and the requested amount.

Formulas

$$\text{COST LESS ASSISTANCE} = \text{COA} - \text{EFA}$$

Example D: Parent requests \$10,000.

$$\text{COA} = \$12,000$$

$$\text{EFC} = \$1,000$$

$$\text{EFA} = \$3,625$$

$$\text{Cost less assistance: } \$12,000 - 3,625 = \$8,375$$

$$\text{Requested amount: } \$10,000$$

$$\text{Answer: } \$8,375$$

Problem D1: Parent requests \$8,000.

$$\text{COA} = \$12,000$$

$$\text{EFC} = \$1,000$$

$$\text{EFA} = \$3,500$$

$$\text{Cost less assistance: } \underline{\hspace{2cm}}$$

$$\text{Requested amount: } \underline{\hspace{2cm}}$$

$$\text{Answer: } \$ \underline{\hspace{2cm}}$$

Problem D2: Parent requests \$13,000.

$$\text{COA} = \$18,000$$

$$\text{EFC} = \$3,500$$

$$\text{EFA} = \$7,500$$

$$\text{Cost less assistance: } \underline{\hspace{2cm}}$$

$$\text{Requested amount: } \underline{\hspace{2cm}}$$

$$\text{Answer: } \$ \underline{\hspace{2cm}}$$

Answers to Examples

A. Subsidized Federal Stafford Loans for Dependent Students

Problem A1: Unmet need: **\$6,800**
Maximum loan amount: **\$5,500**
Requested amount: **\$2,000**
Answer: \$ **\$2,000**

Problem A2: Unmet need: **\$2,500**
Maximum loan amount: **\$3,500**
Requested amount: **\$5,000**
Answer: \$ **2,500**

B. Subsidized and Unsubsidized Federal Stafford Loans for Dependent Students

Problem B1:
Unmet need: **\$5,000** Cost less assistance: **\$2,500**
Maximum loan amount: **\$3,500** Loan limit for unsub Federal Stafford Loan: **0**
Requested amount: **\$5,000** Requested amount: **\$1,500**
Answer: \$ **3,500** Answer: \$ **0**

Problem B2:
Unmet need: **\$3,500** Cost less assistance: **\$1,000**
Maximum loan amount: **\$5,500** Loan limit for unsub Federal Stafford Loan: **\$2,000**
Requested amount: **\$4,000** Requested amount: **\$500**
Answer: \$ **3,500** Answer: \$ **500**

C. Unsubsidized Federal Stafford Loans for Independent Students

Problem C1:
Unmet need: **\$7,000** Cost less assistance: **\$2,500**
Maximum loan amount: **\$5,500** Loan limit for unsub Federal Stafford Loan: **\$5,000**
Requested amount: **\$15,000** Requested amount: **\$9,500**
Answer: \$ **5,500** Answer: \$ **2,500**

Problem C2:
Unmet need: **\$8,500** Cost less assistance: **\$6,500**
Maximum loan amount: **\$3,500** Loan limit for unsub Federal Stafford Loan: **\$4,000**
Requested amount: **10,000** Requested amount: **\$6,500**
Answer: \$ **3,500** Answer: \$ **4,000**

D. Federal PLUS loans

Problem D1: Cost less assistance: **\$8,500**
Requested amount: **\$8,000**
Answer: \$ **8,000**

Problem D2: Cost less assistance: **\$10,500**
Requested amount: **\$13,000**
Answer: \$ **10,500**